

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

-----In the Matter of-----)	
)	
PUBLIC UTILITIES COMMISSION)	DOCKET NO. 2022-0009
)	
Instituting a Proceeding to)	
Investigate Integrated Resource)	
Planning for The Gas Company, LLC,)	
dba Hawaii Gas.)	
_____)	

ORDER NO. **38189**

INSTITUTING A PROCEEDING TO INVESTIGATE
INTEGRATED RESOURCE PLANNING FOR HAWAII GAS

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INSTITUTING A PROCEEDING TO INVESTIGATE
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By this Order ("Opening Order"), the State of Hawaii Public Utilities Commission ("Commission") institutes a proceeding to examine the Integrated Resource Planning ("IRP") Report and Action Plan for THE GAS COMPANY, LLC, dba HAWAII GAS ("Hawaii Gas" or "Company"), to be submitted to the Commission for review and approval. The details of the development and submission of the IRP Report are discussed below.

I.

BACKGROUND

A.

History of the IRP Process

The IRP process was created by the Commission out of a concern "about significant fluctuations in demand and energy growth rates, rising consumer energy prices in spite of relatively stable fuel costs, the emerging importance of environmental issues and cost-effective technologies and our unabated heavy dependency upon fossil fuel oil."¹ In 1992, the Commission adopted a Framework to govern IRP.² Pursuant to the Framework, Gasco, Inc. filed the first IRP in 1993, and The Gas Company LLC filed the second IRP in 1999.³

The Framework was revised in March 2011 in the Commission's *A Framework for Integrated Resource Planning* ("Revised Framework").⁴ The Revised Framework incorporates the

¹In re Public Util. Comm'n, Docket No. 2009-0108, Decision and Order, filed on March 14, 2011, at 3 ("Framework Order") (citing Docket No. 6617, Order No. 10458, filed on January 10, 1990, at 1 (quotations omitted)).

²See Framework Order at 3.

³Framework Order at 25. Gasco, Inc. filed the first IRP in Docket No. 96-0265 in 1993. In 1999, The Gas Company LLC, filed the second IRP in Docket No. 96-0265.

⁴A copy of the Revised Framework can be found in Exhibit A of the Framework Order.

concept of scenario planning, which is designed to capture variations in planning assumptions and forecasts, as well as high level planning estimates of the costs and benefits of resource options. The goal of an IRP is to:

[D]evelop an Action Plan that governs how the utility will meet energy objectives and customer energy needs consistent with state energy policies and goals, while providing safe and reliable utility service at reasonable cost, through the development of Resource Plans and Scenarios of possible futures that provide a broader long-term perspective.⁵

B.

Need for IRP for Hawaii Gas

In Docket No. 2020-0158, Decision and Order No. 38068, filed on November 12, 2021 ("D&O No. 38068"), the Commission reviewed and approved, with conditions, an application⁶ by Hawaii Gas requesting Commission approval for a Petroleum Feedstock Agreement ("2020 FSA") between Hawaii Gas and

Although Hawaii Gas received a waiver from the Framework in 2002, see Docket No. 2000-0309, Decision and Order No. 19386, filed on May 31, 2002 ("D&O 19386"), the Revised Framework contemplates application to "gas utilities," such as Hawaii Gas. Framework Order at 97.

⁵Revised Framework Section II.A.

⁶See Docket No. 2020-0158, "Application; Attachments 'A' Through 'C'; Confidentiality Log; Verification; and Certificate of Service," filed on October 2, 2020 ("2020-0158 Application").

Par Hawaii Refining, LLC ("PHR").⁷ The Commission found that the 2020 FSA arose out of PHR's unilateral decision to terminate the 2016 feedstock agreement between Hawaii Gas and PHR so that it could renegotiate the price of the feedstock.⁸

As a condition of approval in D&O No. 38068, the Commission required Hawaii Gas to develop and implement an IRP Report, finding that "the Commission has strong concerns about Hawaii Gas' dependency on synthetic natural gas ("SNG"), as well as PHR's feedstock and infrastructure to produce SNG. As a result, the Commission is conditioning its approval of the 2020 FSA on the development of an IRP for Hawaii Gas."⁹ In accordance with D&O No. 38068, and pursuant to the Commission's general and investigative powers under Hawaii Revised Statutes ("HRS") §§ 269-6 and -7, the Commission lifts the waiver established in D&O No. 19386 and opens this investigative proceeding for the development of an IRP Report for Hawaii Gas.

The Commission notes that significant technical, economic, and policy issues have changed since the Revised Framework was issued in 2011, including the passage of

⁷D&O No. 38068 at 65.

⁸D&O No. 38068 at 45 (citing 2020-0158 Application at 5).

⁹D&O No. 38068 at 64.

Act 15, Session Laws of Hawaii ("SLH") 2018,¹⁰ Hawaii Supreme Court decisions regarding the Commission's obligations pursuant to HRS § 269-6,¹¹ and the ongoing economic effects due to the COVID-19 pandemic.¹² The Commission also recognizes that the Revised Framework was drafted to be applicable to Hawaii's electric as well as gas utilities, although some specific provisions may not be directly applicable or appropriate for implementing the IRP process for Hawaii Gas. As such, while this investigative proceeding will be governed by the Revised Framework, the Commission will make specific exceptions to some provisions in the Revised Framework as needed in order to adequately address recent technical, economic, and policy developments, and the specific characteristics of Hawaii Gas. Certain exceptions are identified in this Opening Order.

As part of the Work Plan to be filed by Hawaii Gas, discussed below, Hawaii Gas will identify any provisions in the Revised Framework that may not appropriately apply in this planning

¹⁰Act 15, SLH 2018 adopted a target for the State to sequester more carbon than is emitted by 2045.

¹¹See In re Application of Maui Elec. Co., 141 Hawaii 249, 408 P.3d 1 (2017) ("MECO Opinion"); In re Haw. Elec. Light Co., 145 Haw. 1, 445 P.3d 673 (2019); In re The Gas Company, LLC dba Hawaii Gas, 147 Hawaii 186, 465 P.3d 663 (2020) ("HG Opinion").

¹²See D&O No. 38068 at 45 (the Commission finding that PHR's decision to terminate the 2016 FSA appears to have been caused by PHR's desire to address financial losses experienced by PHR as a result of the COVID-19 pandemic).

process and will propose alternate exceptional provisions. Comments and responses to the proposed exceptions may be made in the review of the Work Plan, including the Statements of Position and Company response. The Independent Entity ("IE"), discussed further below, may make recommendations to the Commission regarding further exceptions during the course of the IRP process. The IRP process will thus be governed by the Revised Framework except as provided in this Opening Order or as further specified by the Commission.

According to Revised Framework Section IV.D, Hawaii Gas must submit an IRP Report with an Action Plan for the Commission to review and approve.¹³ Broadly, the Commission expects the IRP Report to: (1) address and further State policies including emissions reductions and decarbonization goals; (2) establish a pathway to increase the proportion of renewable resources in Hawaii Gas' fuel mix; (3) assess supply chain reliability and resilience for Hawaii Gas; and (4) ensure customer energy affordability. Based on the analyses and information developed in

¹³"IRP Report" means the entire filing submitted by the utility pursuant to Section IV.D.1 of the Revised Framework, including the Action Plan.

"Action Plan" includes an implementation plan and schedule for the specific actions, resource options, and programs to be executed by the utility to serve its customers' future energy needs and requirements in a manner consistent with Section IV.D.1.b of the Revised Framework.

this proceeding, the Commission may identify additional or more specific objectives, questions, or issues to be addressed by the analyses and Action Plan. Further details about Commission expectations regarding the IRP Report are discussed below in Section III.

This investigative proceeding will be divided into two phases. Phase 1 will focus on the development and submission of a draft IRP Report and Action Plan by Hawaii Gas. Phase 2 will focus on the review of the draft IRP Report and Action Plan. Further details about each phase, and their respective participants, are provided below.

II.

PARTIES AND PARTICIPATING ENTITIES

Below is a broad description of the roles of Hawaii Gas, the Consumer Advocate, the Independent Facilitator ("IF") and IE, and the Advisory Group in Phases 1 and 2 of this proceeding. Additional details regarding each of these entities' roles and responsibilities are provided in Section III of this Opening Order, addressing the Procedural Schedule.

A.

Phase 1

The Commission names Hawaii Gas and the Consumer Advocate as Parties to this proceeding. Pursuant to HRS § 269-51 and Hawaii Administrative Rules ("HAR") § 16-601-62, the Consumer Advocate is an ex officio party to the Commission's proceedings, and its involvement and participation in this proceeding will assist the Commission in developing a sound record for its investigation. Intervention into this docket will not be ripe until Phase 2, when Hawaii Gas files its IRP Report and proposed Action Plan with the Commission.

Hawaii Gas will be responsible for developing an IRP Report with an Action Plan, as described above, for the Commission to review. In developing its IRP Report, Hawaii Gas must first prepare and file with the Commission a proposed schedule and work plan for the development of the IRP Report ("Work Plan"). Hawaii Gas is responsible for providing or procuring the necessary expertise, appropriate models and analytical tools, and sufficient personnel and support from management to effectively execute the Work Plan in a timely manner.

The Consumer Advocate has the statutory responsibility to represent, protect, and advance the interests of Hawaii Gas' customers. The Consumer Advocate, therefore, has the duty to ensure that Hawaii Gas' IRP process and Action Plan promote the

interest of Hawaii Gas' customers and are reasonable and in the public interest. As such, the Consumer Advocate will also be given the opportunity to review Hawaii Gas' Work Plan, as discussed in Section III, below.

In addition, as provided in the Revised Framework, this proceeding will include an IF, IE, and an Advisory Group. Further, upon submission of Hawaii Gas' draft IRP Report and Action Plan, the Commission will provide an opportunity to receive public comments on the draft IRP Report and Action Plan.

The IE shall be responsible for providing, inter alia, unbiased oversight of the IRP process as provided in the Revised Framework. The IE shall report directly to, take direction from, and be accountable to, the Commission. As provided in the Revised Framework, the IE may in some instances report to a Commission designee. The Commission may appoint a staff designee to work directly with the IE and IF regarding implementation of the Revised Framework in the Hawaii Gas IRP process.

The IF will support the IE in facilitating Advisory Group meetings. The purpose of the IF is intended to ensure a process in which all Advisory Group participants' perspectives are represented. The IF will be responsible for tasks including, but not limited to, establishing agendas and coordinating preparation of meeting materials; documenting Advisory Group feedback and related utility responses; facilitating conversation

among stakeholders; and drafting post-meeting reports. The IF will thus accordingly assume some of the specific duties otherwise assigned to the IE in the Revised Framework.

The Advisory Group shall be composed of persons who represent interests that are affected by Hawaii Gas' resource plans and that possess the ability to provide significant perspective or useful expertise in the development of the resource plans. Members of the Advisory Group may include State and county agencies, and environmental, cultural, business, and community interest groups. For example, such affected entities may include, in addition to the Consumer Advocate:

- The State Energy Office
- The State Office of Planning and Sustainable Development
- The State Department of Transportation - Harbors Division
- The State Greenhouse Gas Sequestration Task Force
- County energy representatives
- The University of Hawaii Economic Research Organization
- The United States Environmental Protection Agency - Hawaii office
- The Hawaii Natural Energy Institute

- Affected labor unions (to the extent workforce issues will be addressed within the IRP)
- Environmental advocates
- Large commercial customers or business associations

The Commission will invite these entities to serve as members of the Advisory Group.

The Commission invites other interested persons, agencies, or organizations to submit applications to participate as members of the Advisory Group by email by to the following address: Hawaii.PUC@hawaii.gov, with the subject line: "Docket No. 2022-0009, Advisory Group Application." The deadline for applying to serve on the Advisory Group is 30 days from the filing date of this Order. Applications must provide a resume of qualifications.

Consistent with the provisions of the Revised Framework, Advisory Group members may act as individuals; however, Advisory Group members are encouraged to work collaboratively to attempt to arrive at a consensus on issues. Hawaii Gas shall consider the input of each Advisory Group member, but is not bound to follow the recommendations of any such Advisory Group. All reasonable out-of-pocket costs incurred by Advisory Group members (other than representatives of governmental agencies, a for-profit entity, or an association of for-profit entities) related to participation in the integrated resource planning

process as an Advisory Group member, shall be reimbursed by Hawaii Gas and may be recovered from customers, subject to Commission approval. The Advisory Group will have a role in reviewing Hawaii Gas' Work Plan, as well as its IRP Report and Action Plan, as discussed further in Section III, below.

The Commission's primary role will be to determine whether Hawaii Gas' IRP Report and Action Plan is reasonable and in the public interest. This includes whether the Action Plan represents a reasonable course for meeting the goals and objectives of IRP as set forth in the Revised Framework and as further provided in this Order. In addition, the Commission will establish a procedural schedule, determine the composition of the Advisory Group, and select an IE and IF. The Commission will also review Hawaii Gas' proposed Work Plan and ultimately set the final Planning Schedule for Hawaii Gas to follow in the development of its IRP Report.

B.

Phase 2

During Phase 2 of this proceeding, both Hawaii Gas and the Consumer Advocate will remain Parties to this proceeding.

In addition, at that time, the Commission will allow for interested persons, organizations, or entities, to seek intervention or participation in this proceeding to assist the

Commission in its review of the draft IRP and Action Plan. Requests to intervene or participate shall be in accordance with HAR § 16-601-55 and -56. Following the submission of the draft IRP and Action Plan, the Commission will issue a notice in this docket, notifying interested persons, organizations, and entities, that the intervention period has commenced.

The roles and scope of activities of Parties and any intervenors and/or participants to Phase 2 of this proceeding will be clarified by subsequent Commission order during Phase 2.

III.

PROCEDURAL SCHEDULE

The Commission establishes the following procedural schedule to govern Phase 1 of this proceeding:

Milestone	Timing
Commission files Opening Order	January 19, 2022
Hawaii Gas' and the Consumer Advocate's response to the Opening Order	February 3, 2022
Deadline for applications to serve on Advisory Group	February 18, 2022
Commission files an order establishing the Advisory Group	March 7, 2022
Hawaii Gas files a proposed Work Plan, including an internal schedule, to develop its IRP Report and Action Plan	March 21, 2022

IF convenes first Advisory Group meeting to review Hawaii Gas' proposed Work Plan	April 4, 2022
The Consumer Advocate files a Statement of Position ("SOP") regarding Hawaii Gas' proposed Work Plan. The IF files a summary of the Advisory Group's discussion and comments on the proposed Work Plan ("Advisory Group Report")	April 19, 2022
Hawaii Gas to file a response to the Consumer Advocate's SOP and the Advisory Group Report, with an amended proposed Work Plan, if necessary	May 5, 2022
The Commission issues an order addressing Hawaii Gas' proposed Work Plan	May 20, 2022
Hawaii Gas follows Work Plan and works with IF, IE, and Advisory Group to develop its IRP Report and Action Plan ¹⁴	May 23, 2022
Hawaii Gas files its IRP Report and Action Plan with the Commission	February 21, 2023
Hawaii Gas to publish in the newspaper a notice that it has filed its IRP Report and Action Plan with the Commission	February 27, 2023
Receipt of public comments on IRP Report	February 27, 2023 to March 23, 2023
Commission decision on IRP Report and Action Plan	Subsequent to receiving IRP Report and public comments, if any

¹⁴Per the IRP Framework and as will be further discussed in subsequent orders, the IE will be responsible for overseeing the meeting schedule for development of the IRP Report and Action Plan.

Following the Commission's decision on Hawaii Gas' draft IRP Report and Action Plan, the Commission may modify this procedural schedule or issue a new procedural schedule to initiate Phase 2 of this proceeding, as appropriate based on the circumstances.

As reflected above, there are a number of critical milestones in this schedule where written submissions are anticipated to help shape the proceeding and apprise the Commission of the Advisory Group's progress. To that end, the Commission offers the following clarifications.

On or before February 3, 2022, Hawaii Gas and the Consumer Advocate shall file a response to this Order that includes any recommendations on Advisory Group participants. This response may include comment on potential participants to the Advisory Group, including those identified by the Commission, above, as well as other desirable entities. Hawaii Gas shall also include the results of any outreach efforts to prospective entities to solicit their interest in participating in the Advisory Group.

On or before March 21, 2022, Hawaii Gas shall file a proposed Work Plan to guide the development of its IRP Report and Action Plan. At a minimum, this Work Plan should include an internal schedule depicting the discrete steps Hawaii Gas intends to take to develop its IRP Report, including collaboration with the IF, IE, and Advisory Group.

On or before April 4, 2022, the IF will convene the first Advisory Group meeting for the Group to review Hawaii Gas' Work Plan. At this meeting, the Advisory Group should plan to consider, among other pertinent issues, the following key questions:

- What principal issues should be addressed in the IRP?
- What planning objectives should be addressed in the IRP?
- What types of forecasts, analyses, data sources, and modeling tools will be needed to develop Hawaii Gas' IRP Report?
- What is Hawaii Gas' role in supporting the State's 2045 carbon neutrality goal that was established in Act 15, SLH 2018?
- How does Hawaii Gas intend to develop a greenhouse gas lifecycle impact analysis?
- How does Hawaii Gas plan to work with the Advisory Group to develop its IRP Report?
- Any comments or suggested changes to the Work Plan

On or before April 19, 2022, the IF shall submit its Advisory Group Report to the Commission that provides a summary of the Advisory Group's first meeting. The summary shall include the Advisory Group's discussions and perspectives on the proposed Work Plan. For the purpose of submitting the Advisory Group Report, members of the Advisory Group may work with the IF after

the first meeting to clarify their respective perspectives on the Work Plan, if needed.

In subsequent Advisory Group meetings, related issues for the Group to consider include:

- Inputs and assumptions to be used in long-term analysis. This includes the characterization of the existing system conditions, identification of planning objectives, identification of planning uncertainties, descriptions of models to be used, descriptions of analyses to be performed. This may take several meetings;
- The review of preliminary analyses;
- The development of and content within Resource Plans;
- The development of and content within Action Plans; and
- Review of a draft IRP Report.

The Commission may offer further guidance, clarifications, and/or modifications to this process through subsequent orders.

IV.

ORDERS

THE COMMISSION ORDERS:

1. The Commission lifts the waiver set forth in Ordering Paragraph No. 1.a in D&O No. 19386 and opens this investigative proceeding for the development of an IRP Report for Hawaii Gas pursuant to HRS §§ 269-6 and 269-7.

2. Hawaii Gas and the Consumer Advocate are named as Parties to this docket.

3. The Commission establishes a procedural schedule to govern Phase 1 this proceeding, as set forth above in Section III. This schedule may be modified pursuant to order of the Commission.

4. Pursuant to the procedural schedule in Section III, by February 4, 2022, Hawaii Gas and the Consumer Advocate shall file a response to this Order, the details of which are described above.

5. Pursuant to the procedural schedule in Section III, by February 22, 2022, individuals or entities interested in becoming members of the Advisory Group must submit an application to the Commission according to the instructions above.

DONE at Honolulu, Hawaii JANUARY 19, 2022 .

PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By James P. Griffin By Jennifer M. Potter
James P. Griffin, Chair Jennifer M. Potter, Commissioner

APPROVED AS TO FORM:

Noa K. Ching By Leodoloff R. Asuncion, Jr.
Commission Counsel Leodoloff R. Asuncion, Jr., Commissioner

2022-0009.ljk

CERTIFICATE OF SERVICE

Pursuant to Order No. 37043, the foregoing Order was served on the date it was uploaded to the Public Utilities Commission's Document Management System and served through the Document Management System's Electronic Distribution List.

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